



HUD eliminates debt seasoning, opens possibilities

HUD is opening doors for healthcare property owners by relaxing the two-year debt seasoning window. New rules from the U.S. Department of Housing and Urban Development (HUD) will make it faster and therefore easier for borrowers to take advantage of attractive fixed-rate terms.

To take advantage of many recent HUD handbook changes, a borrower will need a short-term balance sheet loan in place before refinancing with HUD. KeyBank's integrated balance-sheet-to-HUD approach creates predictable outcomes for borrowers. Our consistent underwriting, processing time advantage, cost savings for dual use third-party reports, and deep HUD relationships allow borrowers to fully realize the value in their properties.

New HUD Rules Overview

Regulatory changes will fundamentally reshape the refinancing process, as follows:

- **Equity Cash Out:** By using a short-term bridge loan, HUD will refinance loans that include equity cash out. Under new HUD rules, historical seasoning requirements are waived at certain LTV and cash-out limits.
- **Identity of Interest Purchase:** Partner buyouts no longer need to season for two years before refinancing with HUD. A short-term bridge loan is used to execute the buyout transaction and then a borrower is eligible to refinance the bridge loan immediately with permanent HUD-insured debt.
- **Operator Debt:** HUD will now approve certain types of operator debt, such as FFE and working capital related to lease-up/stabilization of the project.
- **REITs:** Previous provisions that allowed REITs to place HUD-insured debt on properties purchased within the last two years without acquisition financing have been eliminated. REITs will need to demonstrate debt, such as a short-term bridge loan.

Faster processes, better outcomes – with the right short-term financing

Our experts can help you fully understand and apply the opportunities now open to your organization, including offering the short-term financing required under the new rules.

Let's start the conversation.

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